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SUBJECT: MENA FATF PLENARY - OFF TO A GOOD START

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1. (U) Summary. The first plenary meeting of the newly created Middle East and North African Financial Action Task Force (MENA FATF) was held in Manama, Bahrain April 11-14. The United States is an observer country to the MENA FATF and Treasury DAS Glaser attended as the USG representative. Representatives from the 14 member countries of the MENA FATF held a productive meeting led by President Mohammed Baasiri with informal leadership from the representatives of Kuwait and the UAE. The MENA FATF created permanent working groups on Mutual Evaluation and Typologies, and three ad hoc committees on hawala, cash couriers, and charities. They also approved the budget and agreed to appoint accounting firm BDO Jawad Habib as its external auditor. The group also discussed the status of a comparative study of anti-money laundering and combating the financing of terrorism (AML/CFT) regimes and adding new members, including Iraq. The second plenary will be held in Beirut September 2005. End summary.

2. (U) On April 11-14, 2005 the first plenary of the MENA FATF was held in Manama, Bahrain. The MENA FATF is a FATF styled regional body (FSRB) that promotes international AML/CFT standards. Delegates from finance ministries, central banks, and law enforcement agencies represented the 14 member countries: Morocco, Algeria, Tunisia, Egypt, Yemen, Saudi Arabia, Jordan, Lebanon, Syria, Bahrain, the UAE, Qatar, Kuwait, and Oman. Member countries sent delegates at the undersecretary, assistant secretary, and director levels, which appropriately allowed for a more detailed working-level environment. The United States and the UK attended as observer countries. Deputy Assistant Secretary for Terrorist Financing and Financial Crimes, Daniel L. Glaser, led the U.S. delegation. Mr. Glaser was also accompanied at the plenary meeting by a US delegation, which included Gary Peters, State INL, Jason Herring, FBI, Ahmed Elbashari, FinCEN, and Rachel Lebenson, Treasury. (Note. France is also a MENA FATF observer country but did not send any representatives to the plenary. Endnote). The World Bank, the International Monetary Fund (IMF), the GCC, FATF, the United Nations Office on Drugs and Crime (UNODC), and the Egmont Group also attended as official observers to MENA FATF.

Official and Unofficial Leadership at the Plenary

3. (SBU) The plenary was chaired by Mohammed Baasiri of Lebanon, President of the MENA FATF, Vice President Mahmoud Abdel Latif from Egypt and Executive Secretary Adel Hamad Al Qulish from Saudi Arabia. Baasiri led the plenary adeptly, contributing instructive comments based on his role in constructing Lebanon's AML/CFT regime. Representatives from Kuwait and the UAE played leading roles throughout the plenary, which was characterized by general enthusiasm and engagement among the participants. Yaqoub Al-Ebrahim, Manager of Supervision at the Central Bank of Kuwait, delivered a presentation outlining Kuwait's administrative and legal procedures for overseeing charities. He also supported the role of international observers in the MENA FATF working groups given their expertise and experience, despite the concerns of several participants (notably Saudi Arabia and Syria) who challenged the intrusiveness and value of international observers. Kuwait volunteered to chair the Mutual Evaluations Working group and is participating in two of the three ad hoc committees.

4. (SBU) The UAE representatives similarly took on a leadership role. Led by Abdulrahim Mohamed al Awadi, Assistant Executive Director of AML at the Central Bank of the UAE, the UAE delegation asserted that the MENA FATF should aggressively tackle issues such as encouraging its members to ratify and implement the UN conventions on terrorism and terrorist financing, and drafting AML/CFT laws among the member states. The UAE has also volunteered to chair the Typologies Working Group and is participating in all three of the ad hoc committees. On several occasions, the UAE offered to provide training and technical assistance to other MENA FATF members, or to serve as a host for regional training.

Working Groups and Other Business

15. (U) By the second day, two working groups and three ad hoc groups were formed to handle more specific work of the MENA FATF. The Mutual Evaluation Working Group, chaired by Kuwait, includes Tunisia, Algeria, Saudi Arabia, Syria, and Egypt. The Training and Typology Working Group, chaired by the UAE, includes Bahrain, Lebanon, Morocco and Yemen. Additionally, three ad hoc groups were formed to address the issues of cash couriers (UAE, Qatar, Kuwait), charities (UAE, Saudi Arabia, Kuwait, Egypt), and hawalas (Jordan, UAE, Algeria, Egypt). Observers from the IMF, World Bank, and FATF will participate in the working groups.

16. (SBU) After some debate the Plenary also chose an external auditor and approved the budget. During a discussion on choosing an outside auditor, Kuwait encouraged using an auditor of global renown. However, the plenary ultimately decided to appoint the Bahrain based accounting firm BDO Jawad Habib. The plenary also approved the budget (which is funded up to \$500,000 each year for the first five years by Bahrain) and agreed to provide recommendations to the Secretariat for additional funding by the members.

17. (SBU) The membership also discussed the distribution of a comparative survey of AML/CFT regimes in the region. There was some disagreement about the nature of such a resource and whether or not it would be used as a benchmark for evaluation. MENA FATF members were concerned that they would have no input on this study or that this was a final report. Baasiri noted that this was simply a baseline document to see where the member states currently stand. He urged the members to provide corrections to allow the Secretariat to translate the document before the end of April 2005.

#### Possible New Members

18. (U) Baasiri noted that he had had inquiries from Iraq, Libya, Sudan, Mauritania, and Djibouti to become new members of the MENA FATF. The plenary decided that the Secretariat could send these countries letters advising them of the conditions for requesting membership including the MENA FATF MOU. However, the letter must be clear that it is not an "invitation" to join MENA FATF. (Note. According to the MOU a country must request in writing to become a member and the membership must be approved unanimously by the MENA FATF membership. Endnote). Japan and Spain have also requested to be included as observer countries. The Politics of Language and Identity

19. (SBU) The plenary, at times, provided a forum for national and regional politics. Egypt and Saudi Arabia implored all members to speak Arabic as an indication of the plenary's Arabic identity. However, the UAE and Bahrain spoke almost exclusively in English, while the North African countries spoke in French. Saudi Arabia was adamant about the minimal role of observers. The Saudi delegate reiterated several times the "independent character" of the MENA FATF, which should be respected by minimizing the role of outside observers. The President, Baasiri, and the representatives from Bahrain, Kuwait, and the UAE as well as the observers countries and institutions all stressed the importance of working with the observers who bring the expertise and knowledge of what an FSRB needs to do.

#### A successful first Plenary

110. (SBU) Baasiri concluded the plenary by urging member countries to exercise political will. He stated that developing institutions alone would not suffice in creating tenable AML/CFT regimes but that strong commitments from each country's senior leadership is also necessary. Glaser noted that, the MENA FATF, though still in its infancy was already ahead of other FSRBs given the level of engagement displayed at the first plenary session. Glaser advised that the plenary should consider acting as a body to develop strategy and oversight without micromanaging everything that the Secretariat does. Both Glaser and the representative from

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FATF conveyed that the purpose of the MENA FATF was to adopt regional solutions to these issues based on the accepted international standards, as set forth by global FATF.

#### World Bank and IMF Seminars on AML/CFT

111. (U) Following two days of plenary sessions, the World Bank and IMF held two days of seminars addressing key AML/CFT topics. Kuwait and Saudi Arabia made valuable presentations on the structure of their respective charitable oversight mechanisms. Lebanon presented the foundation of its successful AML/CFT regime, and the UAE gave a presentation on the scope of its AML/CFT regime.

#### The Second Plenary

112. (U) The second MENA FATF Plenary is scheduled for September 2005 in Beirut, Lebanon. As part of that plenary,

observer institutions will train MENA FATF members on doing  
AML/CFT mutual evaluations.  
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